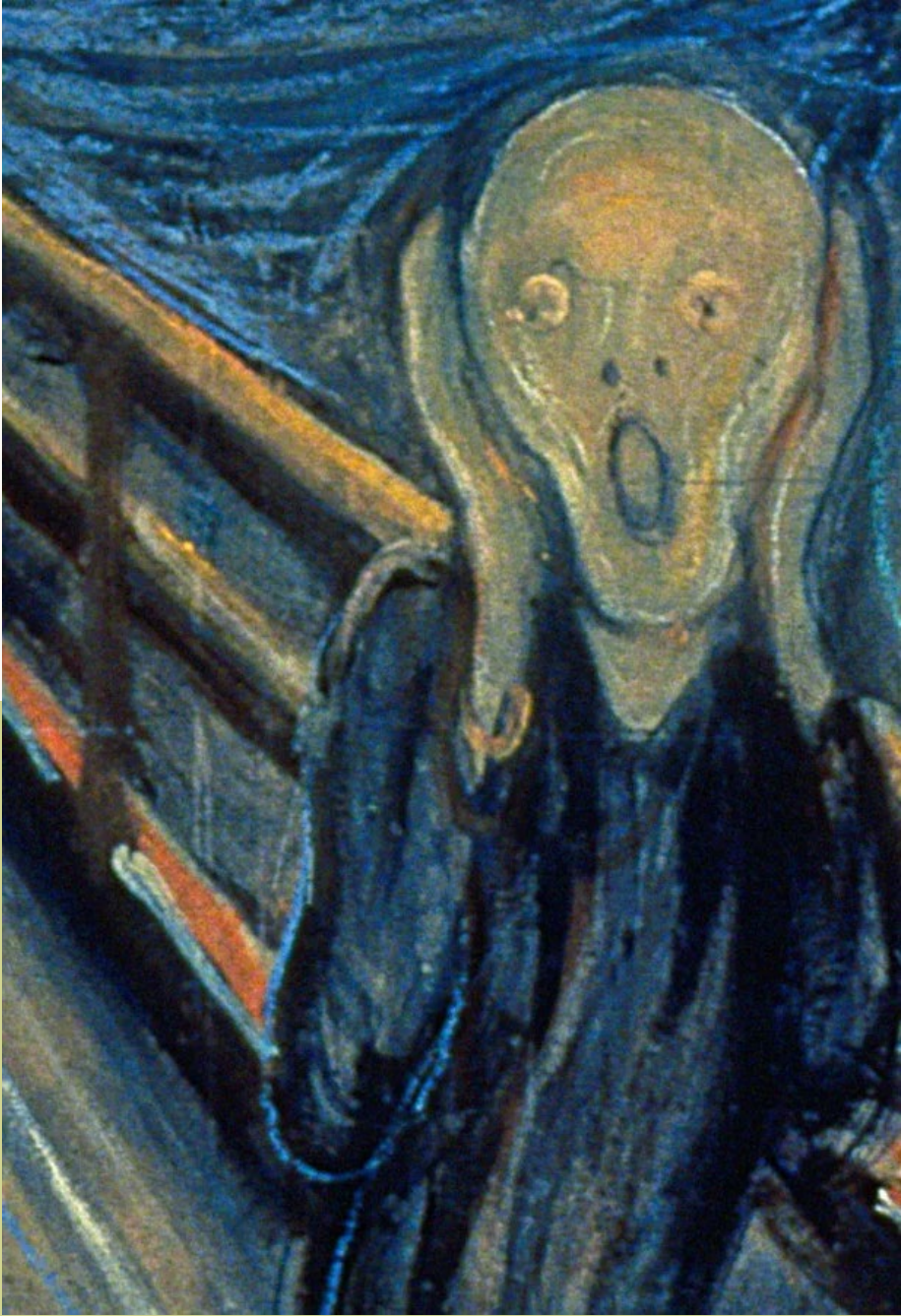


***TARIFFS, TRADE, AND
PROCUREMENT, OH MY!***

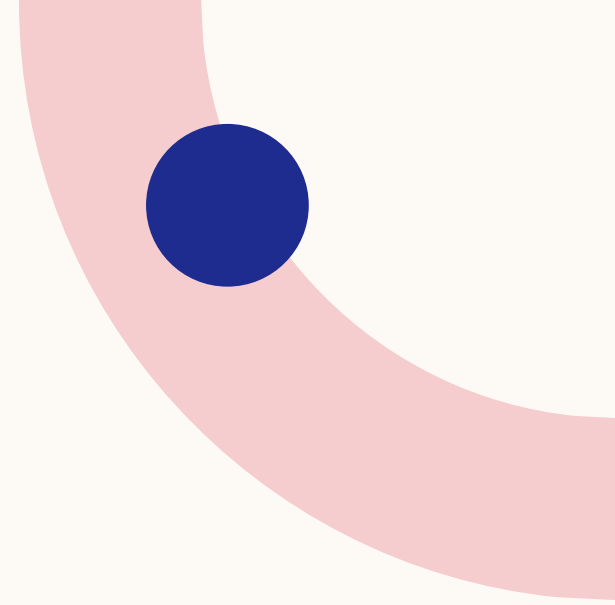
SPENCER LORD

- Assistant Chief Procurement Officer – Quality Assurance and Compliance at Georgia Department of Transportation
- 10 years of experience in Public and Private Sector Procurement
- National Certifications held are the NIGP-CPP, CPPB, CPPO





HOW TARIFF CONVERSATIONS FEEL

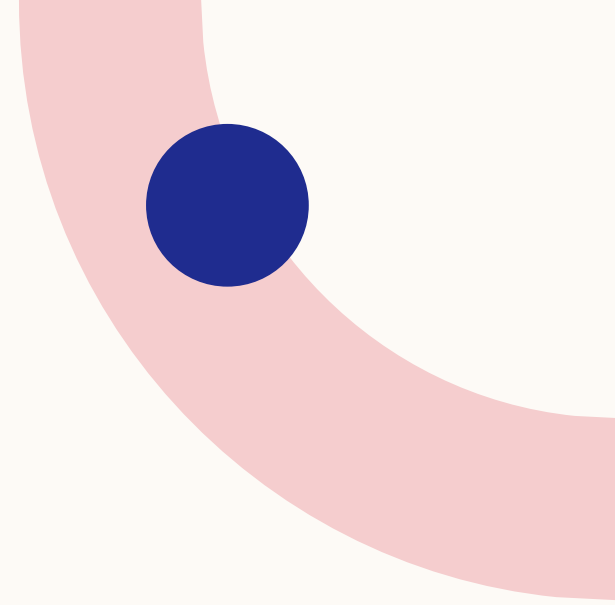


AGENDA

- What is a Tariff?
- How Did We Get Here?
- Ways to Deal with Tariffs
- Lessons Learned (or Re-learned)
- Next Steps for Procurement
- Wrap-Up
- Additional Resources
- Q&A



WHAT IS A TARIFF?



WHAT IS A TARIFF?

Government-imposed financial charge on **imports or exports**. Our focus here is on import tariffs as export tariffs do not affect Procurements in the same way.

Also known as a customs duty – the terms are interchangeable.

More widely used prior to WWII but have come back into use more widely recently in the US.

WHAT IS A TARIFF?

Tariffs are commodities-based and not for services. Payment for services may be affected by them due to input costs.

Services may have similar restrictions based on national/local presence requirements, licensing requirements, digital service taxes, among others.

WHAT IS A TARIFF?

Tariff rates are invested in Congress by the Constitution.

However, they have delegated some of this authority to the Executive Branch.

Tariff rates are set by international agreements, the Executive Branch, and Congress.

WHAT IS A TARIFF?

A tariff is a tax on commodities imported.

Exemptions may exist based on the commodity or the country of origin.

Example of exemption may be a Free Trade Agreement (see NAFTA and successors).

WHAT IS A TARIFF?

Typically, a tariff is a percentage-based amount but can be a per-unit price or a mix of percentage and per-unit price.

There may be various rates as well depending on the commodity or country of origin.

Example: Single Axle Tractors – 0% generally, but 25% if imported from China and 35% from Russia

WHAT IS A TARIFF?

Tariffs are determined by Harmonized System (HS) Codes. These are a global, standardized numbering system for classifying commodities.

They are six-digit codes and similar in use to the NIGP Codes used by many agencies. The US expands this to a 10-digit code.

Example: 8701.10.01.00 for Single Axle Trailers

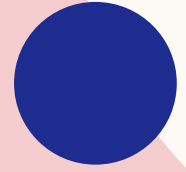
WHAT IS A TARIFF?

Exercise – HS Code Lookup

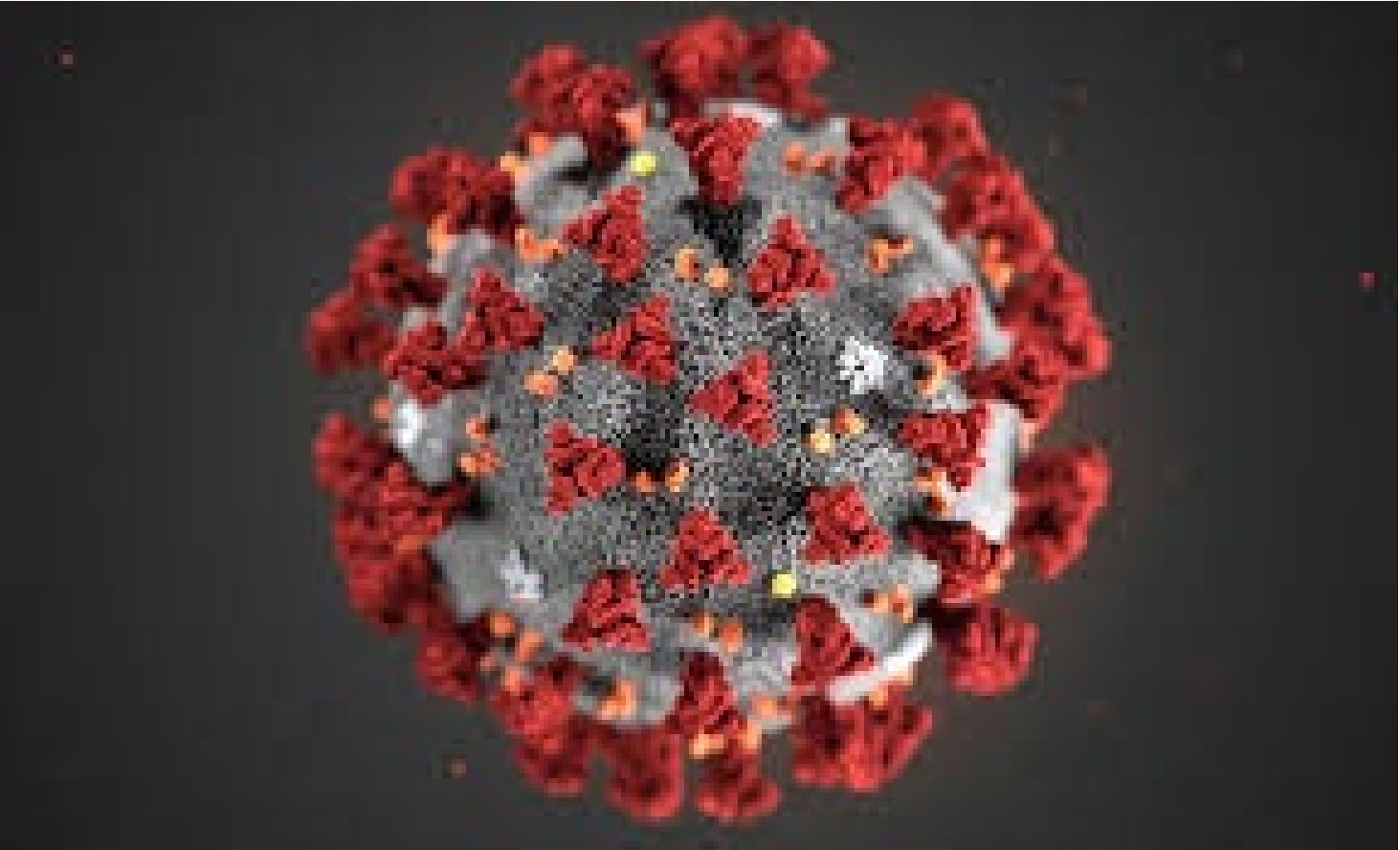
<https://hts.usitc.gov/>



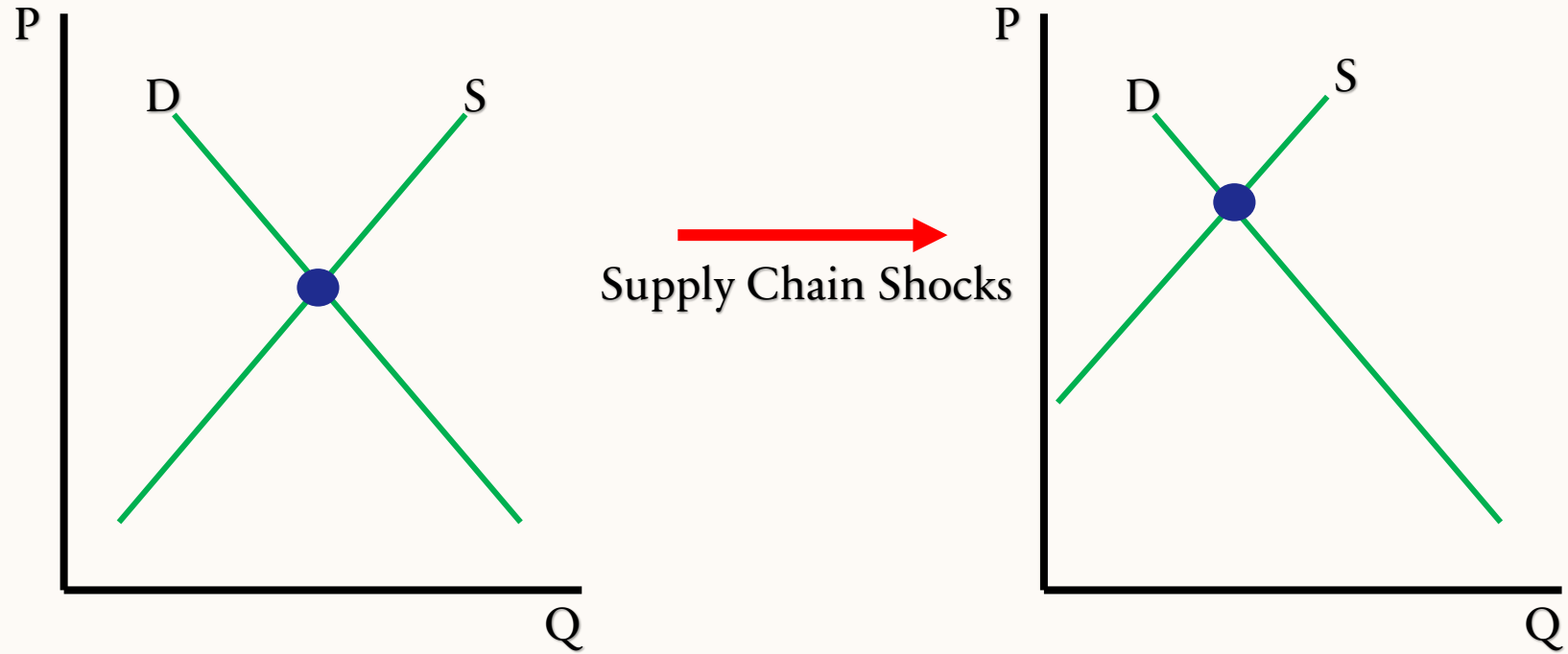
**HOW DID WE GET
HERE?**



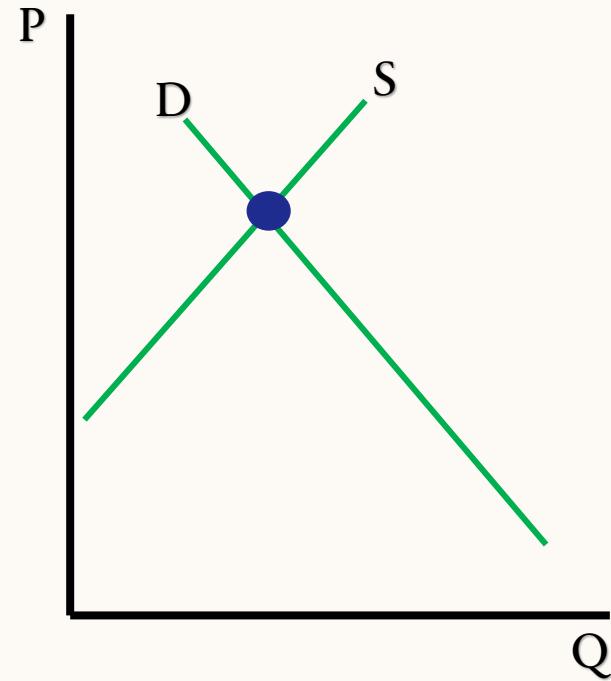
HOW DID WE GET HERE?



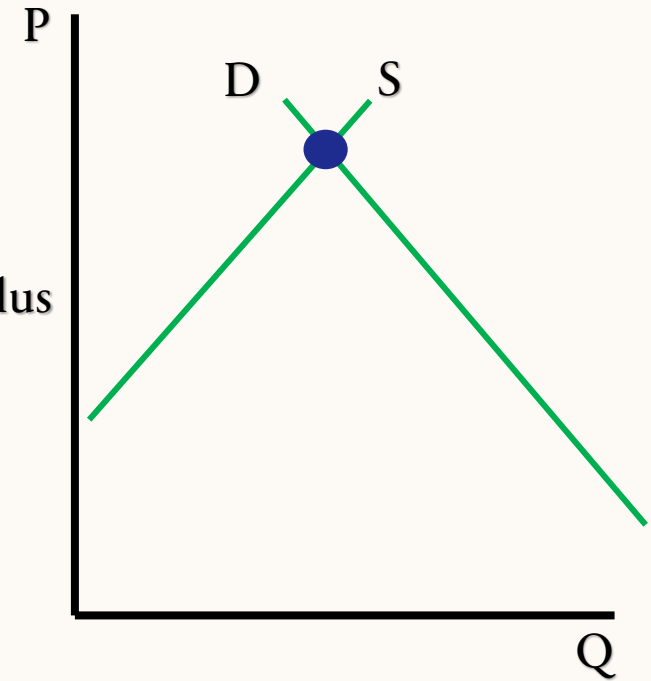
HOW DID WE GET HERE?



HOW DID WE GET HERE?



Government Stimulus



HOW DID WE GET HERE?

Over 25% inflation from 2019 – 2025.

Inflation is “sticky” – i.e. doesn’t tend to change as quickly based on current conditions. Rising prices for goods and services tend to go hand-in-hand.

Economic concerns were translated into political concerns. Gallup noted number 1 concern of voters of 22 issues.

HOW DID WE GET HERE?

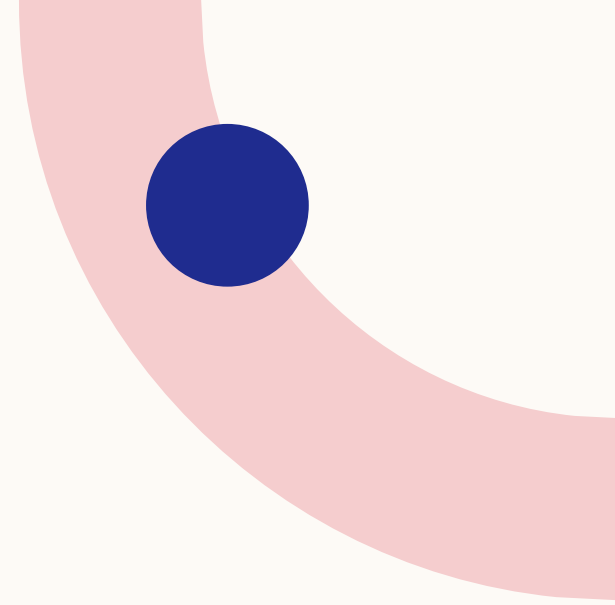
Change in political leadership led to more enhanced focus on tariffs and their use.

Average tariff rate of 18.6% as of August 2025, which is the highest since 1933.

Adds to the cumulative effect of inflation. In some cases, purchasing power halved over this time horizon.



WAYS TO DEAL WITH TARIFFS



WAYS TO DEAL WITH TARIFFS

Five ways I have identified we can deal with the tariff challenge:

1. Do Nothing
2. Shift Burden to Vendor
3. Utilize Existing Contract Provisions
4. Contract Modifications
5. Change Requirements

DO NOTHING

Do not attempt to address anything and let the chips fall as they may. Reactive way to deal with the tariff challenge. Decide as Vendors ask for tariff changes what to do at the time.

DO NOTHING

Pros

- Easy to implement
- Gives flexibility to deal with issues as they arise

Cons

- Reactive – no strategy
- Potentially larger cost increases

Challenges

- May be constrained by contractual terms
- Leadership may dislike reactive stance

SHIFT BURDEN TO VENDOR

Attempt to shift the entire burden of the tariff to the Vendor community. Refuse any price increase requests and insist that prices remain fixed and/or do not renegotiate any change orders.

SHIFT BURDEN TO VENDOR

Pros

- Saves the Entity money
- Allows for more resource acquisition

Cons

- Relationship with Vendor suffers
- Vendor may prioritize other orders

Challenges

- Vendor may reject the burden shift
- Re-procurement if implementation fails

UTILIZE EXISTING CONTRACT PROVISIONS

Use the existing escalation/de-escalation clauses (or other articles) that exist in the contract. Reject any increases that fall outside the allowable range – i.e. if current PPI data falls outside of the tariff increase.

UTILIZE EXISTING CONTRACT PROVISIONS

Pros

- Doesn't require a major contract amendment
- Easy to implement and document rationale

Cons

- Requires more analysis and monitoring
- Vendor may prioritize other orders if increase is small

Challenges

- Vendor may reject an increase lower than their cost
- Re-procurement if implementation fails

CONTRACT MODIFICATIONS

Amend the contract to allow for cost changes due to the tariffs. Allow for full implementation of tariffs, burden sharing, or what is allowed.

CONTRACT MODIFICATIONS

Pros

- Allows a strategic response to changing conditions
- Buy-in from both the Vendor and Entity

Cons

- Can be more costly
- Adds administrative burden

Challenges

- Legality of contract provisions
- Amendment process may be lengthy

CHANGE REQUIREMENTS

Create and encourage more flexibility in contract and procurement requirements to allow for substitutes or other commodities to be used.

CHANGE REQUIREMENTS

Pros

- Flexibility can allow for Vendor to economize
- Gives Entity ability to source from a broader field

Cons

- Substitutions may be inferior to previous requirement
- May lead to confusion on what is acceptable in Contract Management

Challenges

- Commodities may be required by Entity policy or law
- Vendor may use flexibility to maximize their gain at Entity expense



LESSONS LEARNED (OR RE-LEARNED)

LESSON 1

**Procurement is not
immune from politics**

LESSON 2

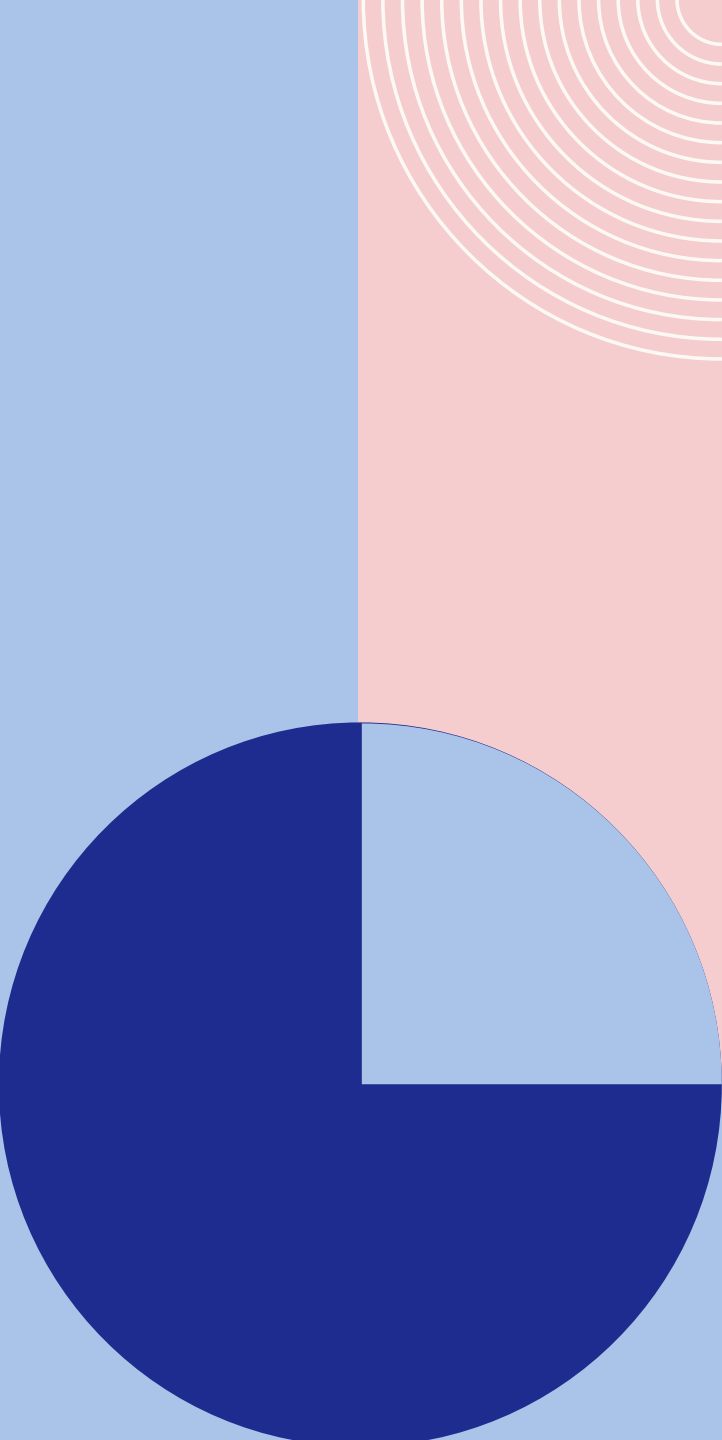
**Procurement is a vital
strategic partner**

LESSON 3

**Constantly scan the
political landscape for
potential challenges**

LESSON 3

**Flexibility in
Procurement is key**

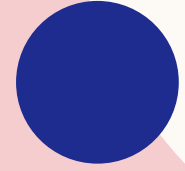


LESSON 5

**Being reactionary is a
recipe for disaster**



NEXT STEPS FOR PROCUREMENT



STEP 1

**Review your contracts for
vulnerabilities**

STEP 2

**Dust off the Continuity of
Operations Plan and Update...a
Crisis is Always Around the
Corner**

STEP 3

**Create a plan for reviewing the
political landscape for future
developments**

STEP 4

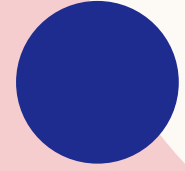
**Continuously Establish Yourself
as a Strategic Partner with Your
Entity**

STEP 5

Remember Self-Care and Take Care of Yourself and Your Staff



WRAP-UP, Q&A, RESOURCES



WRAP-UP

- Tariffs are a tax on imported commodities
- They affect us as they raise the prices we pay to deliver public goods
- We need to utilize all the tools in our toolbox to assist our Entity's strategic interests
- Procurement is uniquely situated to assist with these issues
- Constantly be on the lookout for potential issues
- Be proactive

Q&A

Questions?
Concerns?
Stories?

RESOURCES

- Harmonized Tariff Schedule - <https://hts.usitc.gov/>
 - HTS Training - <https://learning.usitc.gov/hts-guide/index.html#/>
- Import Tariff Overview - <https://www.trade.gov/import-tariffs-fees-overview-and-resources>
- Trade Compliance Resource Hub - <https://www.tradecomplianceresourcehub.com/2025/10/06/trump-2-0-tariff-tracker/>
- Understanding HS Codes and Schedule B - <https://www.trade.gov/harmonized-system-hs-codes>
- US Tariff Policy - <https://www.congress.gov/crs-product/IF11030>

THANK YOU

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